

Message Text

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PAGE 01 PEKING 01331 080430Z

15

ACTION EA-14

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INFO AMEMBASSY BUCHAREST

AMCONSUL HONG KONG

AMEMBASSY MOSCOW

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E.O. 11652: N/A

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SUBJECT: SOVIET AND ROMANIAN VIEWS ON THE CAMPAIGN'S EFFECT

ON THE CHINESE ECONOMY

SUMMARY. SOVIET AND ROMANIAN EMBASSY OFFICERS HAVE PROVIDED USLO WITH OPPOSING VIEWS OF THE EFFECT OF THE CURRENT POLITICAL CAMPAIGN ON THE CHINESE ECONOMY. WHILE SOVIETS BELIEVE THAT PRC HAS SUFFERED SERIOUS ECONOMIC DISLOCATIONS, THE ROMANIAN STATED THAT HE SAW NO EVIDENCE OF PRODUCTIVE DISRUPTIONS IN RECENT VISIT TO 35 FACTORIES IN FIVE MAJOR CITIES. END SUMMARY.

1. ON AUGUST 6 USLO WAS PRESENTED WITH THE FOLLOWING OPPOSING VIEWS ON THE EFFECT OF THE CURRENT POLITICAL CAMPAIGN

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PAGE 02 PEKING 01331 080430Z

ON THE CHINESE ECONOMY.

2. SOVIET POLITICAL COUNSELOR FEDOTOV, IN FAREWELL CALL ON DC HOLDRIDGE BEFORE RETURNING TO MOSCOW ON HOME LEAVE, MENTIONED THAT NATION-WIDE CONFERENCE ON STATE OF THE ECONOMY WAS HELD IN PEKING ON APRIL 24 DURING WHICH IT WAS ACKNOWLEDGED THAT SERIOUS SHORTFALLS HAD OCCURRED IN INDUSTRIAL PRODUCTION. ACCORDING TO FEDOTOV, CONFERENCE RECOGNIZED THAT THIS YEAR'S TARGETS FOR CURRENT FIVE-YEAR PLAN COULD NOT BE MET, BUT HOPE WAS EXPRESSED THAT GAP COULD BE NARROWED OVER REMAINDER OF YEAR. FEDOTOV CAPPED THESE COMMENTS BY CITING RECENT BIG-CHARACTER POSTER APPEARING IN PEKING TO EFFECT THAT LOYANG TRACTOR FACTORY HAD MET ONLY FIVE PERCENT OF ITS PLANNED PRODUCTION TARGET AS OF THE TIME THE POSTER HAD APPEARED. (WE ASSUME FEDOTOV WAS REFERRING TO THE POSTER WE HAD SEEN ABOUT THE KIANGSI TRACTOR PLANT, NOT THE ONE AT LOYANG, WHICH STATED THAT ONLY 3.6 PERCENT OF THE QUOTA HAD BEEN MET.)

3. LATER, ROMANIAN COMMERCIAL COUNSELOR IN PEKING, LEONIN VASILESCU, DURING CALL ON USLO C/E OFFICER HOROWITZ, SAID HE FOUND NO EVIDENCE OF PRODUCTION DISTURBANCE DURING A JUNE VISIT TO SOME 35 FACTORIES IN CANTON, SHANGHAI, SHENYANG, NANKING AND PEKING. ALL THE FACTORIES APPEARED TO BE OPERATING ACCORDING TO THE ESTABLISHED PRODUCTION PLANS AND, HE WAS TOLD, WERE FULFILLING THEIR QUOTAS. IN FACT, SOME OF THE FACTORIES ALREADY HAD IN HAND THEIR PRODUCTION PLANS FOR 1975. REVOLUTIONARY ACTIVITIES, VASILESCU SAID, WERE CONFINED TO AFTER-HOURS AND WORKERS APPEARED TO BE WELL DISCIPLINED. IN REPLY TO HOROWITZ'S QUESTION ABOUT A "RUMOR" OF AN APRIL CONFERENCE ON PRODUCTION SHORTFALLS, VASILESCU SAID HE HAS HAD NO INFORMATION ABOUT SUCH A MEETING. HE ADDED THAT THE CHINESE HOLD NATIONAL PRODUCTION CONFERENCES EVERY YEAR IN THE SPRING AND FALL TO CONSIDER PRODUCTION RESULTS AND PLANS, AS WELL AS RAW MATERIAL REQUIREMENTS.

4. COMMENT: FEDOTOV'S REMARKS ARE IN KEEPING WITH STANDARD LINE WHICH SOVIETS HAVE DEVELOPED IN DIPLOMATIC CONVERSATIONS HERE: CHINA HAS SUFFERED SERIOUS POLITICAL AND ECONOMIC DISLOCATIONS, WHICH IN TURN HAVE LED TO INCREASED PRC ACTIVITY IN FOREIGN AFFAIRS, 3.G. IN WOOING SO-CALLED THIRD WORLD, AS ONLY AREA LEFT TO CHINESE WHERE EFFICACY OF MAO TSE-TUNG'S LINE CAN BE DEMONSTRATED. SOVIETS FURTHER CLAIM THAT THIS SITUATION ALSO ACCOUNTS

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PAGE 03 PEKING 01331 080430Z

FOR INTENSIFIED ANTI-SOVIET CAMPAIGN NOW BEING CONDUCTED BY CHINESE.

5. VASILESCU'S COMMENTS ARE ALSO SOMEWHAT SUSPECT. THE CITIES HE VISITED HAVE ALL BEEN OPEN TO FOREIGNERS AND IT IS GENERALLY BELIEVED THAT FACTORIES THERE ARE FUNCTIONING NORMALLY. HE ADMITTED THAT HE DID NOT KNOW ABOUT THE SITUATION IN CITIES SUCH AS WUHAN WHICH HAVE BEEN CLOSED TO VISITS BY FOREIGNERS. IN ANY CASE, WE WOULD EXPECT

THE ROMANIANS TO TAKE MORE POSITIVE VIEW OF THE SITUATION IN
CHINA THAN THE SOVIETS.

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